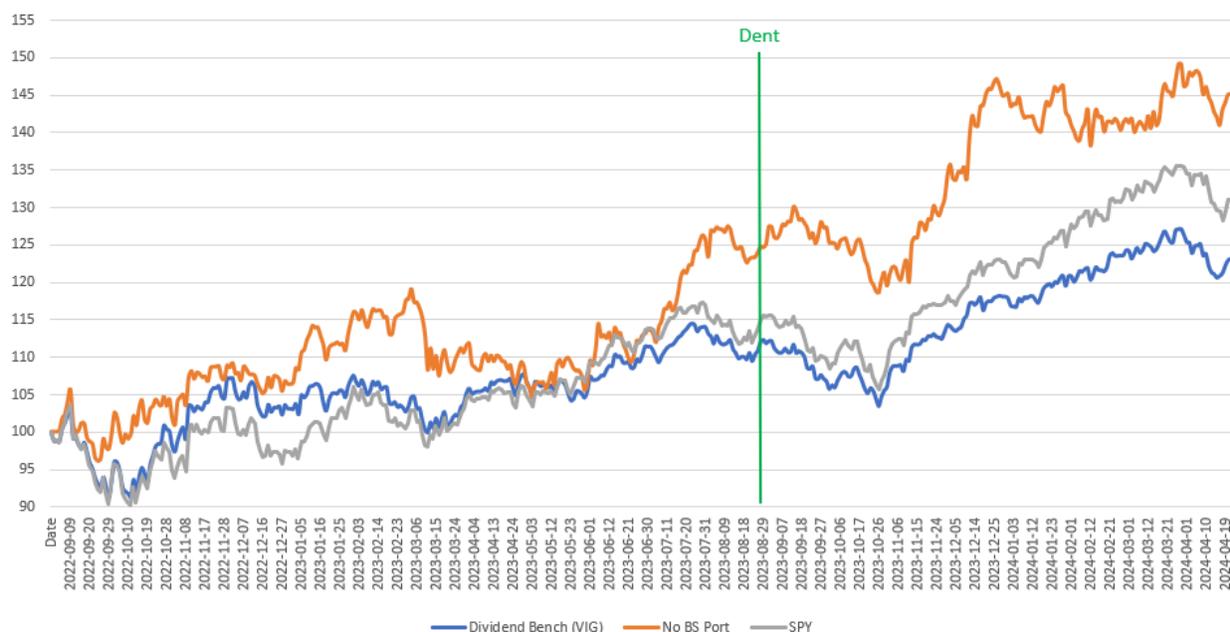


April 29 2024

The **NO BS** Growth and Income Portfolio

By John Del Vecchio



New Trades this week: No Trades

Current Portfolio April 29, 2024

Ticker	Name	Return	Days Held	Sector
AVT	Avnet, Inc.	2.82%	227	Technology
BURCA	Burnham Holdings, Inc.	0.39%	17	Industrials
CIVB	Civista Bancshares, Inc.	2.02%	171	Finance
FUSB	First US Bancshares, Inc.	6.59%	24	Finance
HVT	Haverty Furniture Cos., Inc.	21.68%	346	Consumer Cyclical
MCEM	The Monarch Cement Co.	31.43%	227	Non-Energy Materials
PSX	Phillips 66	67.35%	353	Energy
THFF	First Financial Corp. (Indiana)	10.20%	331	Finance
VLO	Valero Energy Corp.	29.36%	192	Energy
WEYS	Weyco Group, Inc.	14.75%	164	Consumer Cyclical



Drawdowns Happen

Drawdowns happen.

And, we are in one.

The problem with drawdowns is that no one knows how severe they will be or how long they will last.

Any strategy that sees the light of day in a newsletter looks good on paper.

Over 25 years, I have developed and tested countless strategies.

I would not be surprised if it's in the thousands.

The strategies I present in my newsletters are only the best I have been involved with.

There's plenty of work I would never share for one reason or another.

The most significant factor in determining what to show outside folks such as yourself is the odds that the strategy will perform well in "real life."

Again, no one knows for sure.

However, educated guesses based on experience can be made.

I focus intently on risk.

That's because sticking with the system is the most significant factor in success.

Drawdowns are a test to see if investors and speculators can stick with the system.

Through thick and thin.

We know that most people cannot stick with the system

That's our edge.

We know that the highest allocation to equities ever made by average people was near the peak of the Dot-Com Bubble.

We know that average folks' lowest equity allocation was **at the exact low** in 2009 during the Great Recession.

Those are facts.

We also know most people will not keep up with inflation.

This is because they buy high and sell low.

So the key is to stick with the system through thick or thin and hell or high water.

Practically, how can we do this?

One step you can take is to diversify the strategies you use to construct your portfolio of investments.

You might have a trend-following system.

You might have a value system.

You might have an income system.

The list goes on.

Those systems may perform differently at different times.

The result is shallower drawdowns and a smoother equity curve.

You may rest easier at night.

However, life has a habit of throwing a turd in the punch bowl.

Once in a while, the shit hits the fan everywhere and all at once.

There's nothing you can do about that.

Like Alec Baldwin's character, Blake, says in the great movie *Glengarry, Glen Ross*, it "takes brass balls to sell real estate."

It takes brass balls to stick with the system.



Either you have brass balls, or you don't.

It's ok if they're not brass.

Paper mache balls work, too, for many things in life.

Just not in investing.

So, developing and sticking with a system that fits your personality is very important.

That said, let's examine the *Microcap Millions* strategy to delve deeper into the current drawdown.

This is the primary strategy of my not-so-vast financial publishing empire.

The risk/reward ratio is exceptional.

Additionally, there's a massive advantage over Wall Street that will continue until the end of time.

However, it won't be a straight ride to the Moon.

Recently, the strategy took about a 20% haircut (redline in the middle panel of the chart below).

That compares to 40% for the deepest drawdown for the microcap benchmark index (blue line in the middle panel of the chart below).

There have been two 20% drawdowns in recent history.

20% hurts.

No loss feels good.



Now, going back further, the strategy has experienced 50% drawdowns, and the index has gotten spanked even worse.

I am 1,000% certain that another 50% drawdown lurks in the future.

However, I do not know when.

Microcap Millions is a monthly strategy, and things look better on a monthly basis.

Monthly Performance Last 12 Months

Return (%)	2023/05	2023/06	2023/07	2023/08	2023/09	2023/10	2023/11	2023/12	2024/01	2024/02	2024/03	2024/04
Model	13.81	8.89	-0.38	1.48	-7.74	-2.51	17.89	7.84	6.37	6.05	3.43	-9.77
Benchmark	1.29	6.56	5.49	-6.56	-6.69	-7.07	9.52	14.28	-4.02	6.47	2.44	-8.03
Excess	12.52	2.32	-5.87	8.04	-1.04	4.57	8.37	-6.44	10.39	-0.42	0.99	-1.74

The strategy has a monthly drawdown of just under 10% compared to about 8% for the index.

Microcaps have been out of favor in April.

It happens.

On an annual basis, things look perfectly fine.

Performance by Calendar Year

Return (%)	2021*	2022	2023	2024**
Model	13.57	18.23	59.55	5.27
Benchmark	-3.90	-21.93	8.99	-3.73
Excess	17.47	40.17	50.56	9.01

(*) From 04/23/21 (**) To 04/26/24

Sticking with the system still yields a profit year-to-date and significantly outperforms the microcap universe.

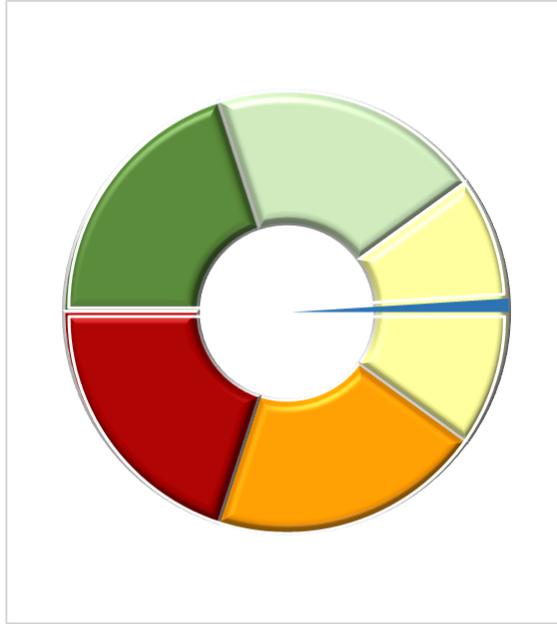
In the end, it's much ado about nothing.

If you play enough hands of blackjack when the odds are in your favor, you will win.

Even if you lose 100 hands in a row.

Strategic investing works precisely the same way.

Nothing new with the *Risk-O-Meter*. Next week, I will share my list of future buys and their proportions the next time the market is deeply oversold.



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No BS Growth & Income Portfolio April 29, 2024

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